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Subject: Incremental Endowment payout--Mario's memo
To: "finance-padmins" <finance-padmins@forsythe.Stanford.EDU>

STANFORD
INTEROFFICE MEMORANDUM

Date: 21-Dec-1992 08:47am PST
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TO: Remote Addressee (_WINS%"FINANCE-DADMIN@FORSYTHER")
TO: Remote Addressee (_WINS%"FINANCE-PADMIN@FORSYTHER")

Subject: Incremental Endowment payout--Mario's memo

Dear Department and Program Administrators,

Enclosed with the November fund statements is a memo from Mario Pietrangelo, Manager of Funds in the Controller's Office, concerning the incremental endowment payout. Let me explain what is the current state of play on this issue--basically, we are back to where we were last summer, when the incremental payout was first announced and I sent to you a cautionary memo.

As you recall, the School had several conversations with departments and with the President in the early fall about the incremental payout. In order of priority to secure an income-sharing or incremental endowment with the Provost, so that departments, the School and the Provost all benefitted from the payout. However, the Board of Trustees decided the School's proposal was not in line with the original Board policy, which is to increase the endowment for two years in order to relieve already-existing deficits supported by General Funds. Naturally, from the President's perspective, using the payout to fund the \$100-million budget deficit over the three year period is a crucial tactic; giving departments alternatives to share the income only delays or does not solve the problem.

At the moment, Kathi is working with Susan Schofield (who is now in the Finance Office) on all endowments in the School and departments, regarding major restrictions on the funds. If it is determined that the conditions do allow the funds to be used in certain ways, the payout will be

used in this manner. If it is determined the restrictions don't allow such usage, the funds will be returned to principal at the end of the year.

In NO case may the funds be used for additional expense. This is very important--if your department (inadvertently, we assume) uses the incremental payout for additional expense, your department's gift or budget savings account will be charged at year-end to restore the funds. The Provost and the Committee on Implementing the Budget Reduction plan have been very, very firm on this point.

Please note that these guidelines on the use of the incremental payout apply to departmentally-held endowments of all types, including graduate aid.

Kathlyn and I will let you know early in January of the results of our analysis on the donor restrictions. (Since there are over 1500 funds to analyze by the first of the year, don't call us, we'll call you-- but not during Christmas-day turkey.)

Please let me know if the above is not clear.

Nancy